

A Work Project presented as part of the requirements for the Award of a Master's degree in Management from the Nova School of Business and Economics.

THE DEVELOPMENT OF AN AUTHENTIC INDIAN RESTAURANT CONCEPT IN  
PORTUGAL: IDEA IMPLEMENTATION

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## **Abstract**

Recent trends demonstrate a crescent demand for ethnic restaurants in Portugal, that Indian cuisine is not as well-entrenched as other international gastronomies and that current offers are mostly characterised by commercialised food and lack of differentiation. Hence, to capitalise on the market gap, the authors developed a unique detailed concept that aims to deliver a novel experience of Indian culture and cuisine, rooted in authentic and sustainable values, to adventurous food seekers. For *the development of an authentic Indian restaurant concept in Portugal*, focus is given to the most critical aspects for a successful business implementation.

**Key Words:** Premium-Casual Dining, Authenticity, Indian Cuisine, Sustainability, Adventurous Food Seekers.

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**Disclaimer**

The present project was fully developed through a collaboration between the two authors, Maria Braz and Priya Balkrisna. However, the work has been split into two complementary parts with an initial common segment. The first, by Maria Braz, includes the common introductory part and the concept development of the project. And the second, by Priya Balkrisna, includes the same introductory part and the concept implementation of the project. To fully comprehend the project, both parts should be read together.

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## 1. Project Overview

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The present project aims to introduce and contextualise a unique, authentic concept of Indian cuisine in Portugal, more specifically in Lisbon – *Ode às Naus*. The business opportunity arose from inferring a potential gap in the Portuguese market. Recent trends demonstrate that there is a global *crescent demand for ethnic restaurants*, particularly Indian, and in Portugal, this becomes distinctly evident in Lisbon (IMR, 2019; Pearson, 2020). In Europe, Asian food is entering a phase of maturity and concept development, and the likelihood of more *premium offers emerging is increasing* (Euromonitor International, 2020a; Joshi, 2018). However, in Portugal, it is not as well-entrenched as other international gastronomies and is still associated with *clear misconceptions*, such as lack of hygiene and overly spicy food (Ferdman, 2015). Moreover, current offers are mostly characterised by commercialised food and *lack of differentiation*, failing to meet Portuguese customers' needs and expectations. All the aforementioned factors result in a potential gap in the market for a new approach to Indian food.

*Ode às Naus* is a full-service restaurant start-up project. The intent is to build a restaurant brand by placing Indian culture and authenticity centre-stage – to welcome the customer into a *unique experience of Indian culture and cuisine*. An all-encompassing concept that taps into honest and *sustainable* practices not wedded by usual conventions, providing a *customer service* reflected on true Indian hospitality, as well as on modern settings that remain connected to *authentic* Indian roots. The idea was developed through a collaboration between the two authors and is based on an inductive research approach that allowed to define the concept that would best suit the market.

The project is organised according to the following structure. Firstly, a comprehensive study of the Portuguese restaurant industry, including current and future trends, is provided in order to understand the strategic relevance of this market and the scope of opportunity to successfully implement this project. Followingly, an extensive analysis of the current competitive landscape

regarding other Indian restaurants, in Porto and Lisbon, was conducted to identify the market potential and where competitive advantages can be gained.

Subsequently, to support and validate the potential of this opportunity, define the target market, verify previously made assumptions, and grasp customer behaviours and preferences, a survey with 392 respondents as well as four expert interviews were conducted. The results of this research are discriminated at different stages of the document, with a particular incidence at this stage. Further on, based on the inferences made from the primary and secondary data collected, a description is provided of what the business intends to offer, as well as key concepts related to the most crucial aspects of the project and the critical factors for its success. To conclude, the financial estimates necessary to implement it are detailed, since the authors intend to carry it through to reality.

## 2. Covid-19 Contextualisation

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It is of overwhelming consensus that the restaurant industry, due to its social nature and the necessary restrictions imposed, was one of the worst impacted by the COVID-19 pandemic worldwide (Haas, et al., 2020). It led to disruption in consumer habits and a substantial pullback in consumer demand which, in turn, created a sudden and sharp shortfall in revenue and even prompted some restaurants to consider filing for insolvency (40% of bars and restaurants in Portugal) (Caetano, 2020; Euromonitor International, 2020a).

Nevertheless, several studies have shown that the customers have a continuing and strong desire to dine out, demand new cuisines and new methods of ordering, and that the foodservice industry will recover significantly once restrictions are lifted and touristic activities are re-established (Haas & Mohran, 2020; Lee & Jungkeum, 2020). The pandemic has also forced the industry to transform leading to significant future opportunities: a forced market contraction of the oversaturated restaurant industry created less future competition; a need for innovation in the business model and channel strategy; and increased ease in the procurement of qualified personnel (Khan, et al., 2020; QSR, 2020). Additionally, the restaurants that are more genuine, showcase

robust concepts and create stronger connections to the consumers are the most likely to thrive post-pandemic (Agência Lusa, 2020; FSR, 2020).

It is relevant to stress that the data and inferences made throughout the document do not include analysis relating to COVID-19, and its potential influence is not factored into forecasted data. The effects of the pandemic are too recent to indicate any clear future trends, and there is insufficient data to currently base any future decisions on. There will be clear long-term socio-economic impacts arising from the pandemic; however, as of yet, one is unable to assess the full magnitude of the effects in the industry. It is also in the authors' understanding that the concept developed holds *relevance and applicability* across the existence of the pandemic and can therefore be enacted once conditions are more favourable.

### 3. Industry Overview

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According to PwC, the global foodservice industry represents €1.1 trillion in opportunity and is expected to grow consistently through the next decade (2019). The largest markets, namely USA, Europe, and Asia have all shown steady positive growth in past years and have revealed to be less phased by shifts in the economic climate (Riehle, et al., 2019). Hence, there has been a significant *increase in restaurant spending*, mainly due to *shifts in consumer behaviour* and perceptions (Rogers, 2019). This analysis will focus on full-service restaurants, that can be divided into four restaurant typologies: casual, fast-casual, fast-food and premium casual (Canziani, et al., 2016).

#### *The Portuguese Restaurant Market*

In 2019, the foodservice industry was the 11<sup>th</sup> largest sector in Portugal, generating €11 billion in revenues, with an average yearly growth of 3% since 2014 (refer to *Appendix 1*) (MarketLine, 2020). As of 2019, the accommodation and restaurant industry was responsible for creating 300,000 jobs in Portugal, equivalent to 7% of the total workforce (Euromonitor International, 2020b; INE, 2020a). Within the foodservice industry, *full-service restaurants* has continued to be the dominant segment, reaching €4 billion in revenues in 2019, 41% of the industry's total (refer to *Appendix 2*

& 3) (MarketLine, 2020). Currently, independent family-owned restaurants represent the great majority of the full-service offer in the country, a trend unlikely to change over the forecasted period (JN, 2020). Despite such promising data, the sector still suffers from three main shortfalls: a *shortage of qualified labour*, *straining job demands* and a *lack of fair professional validation* (Chaves, 2019).

The restaurant industry in Portugal is currently defined by two main factors: the *influence of tourism* on the sector and the *shifts in customer behaviour*.

Portugal's geographic setting allows tourism and hospitality to be one of its most developed sectors, currently accounting for 8.7% of the country's GDP, and is expected to continue to grow considerably above European averages (INE, 2020b; WTTC, 2019). The size and growth in this sector not only boost the foodservice sector's performance but also challenges players to innovate and adapt their offers, turning Portugal into one of the most specialised countries in restaurant activities in Europe (Euromonitor International, 2020b).

The country has also recorded the highest number of foreigners living in country, 580,000, a figure that has been steadily growing through the years due to the safety, quality of life and low cost of living it offers compared to the rest of Europe (Paulo, 2020; RIFA, 2020). Most foreigners that choose to move either temporarily (6 months to 2 years) or more permanently tend to focus on regions along the coastline, particularly Porto, Lisbon and Algarve, further potentiating the restaurant industry and the *presence of different cuisines* (Capela, 2019).

As of 2016, Portugal ranked fifth in Europe as the country with the most restaurant-goers. Portuguese households' expenditure on restaurants has increased by 22% since 2014, as customers are increasingly searching for food options outside their homes (Vicente, 2016). A study by IMR revealed that out of 2,000 participants, 23% claimed to have at least a meal per day out and that 78% conceded to regularly dining out. They identified several leading causes for such behaviour: lifestyle restraints, to avoid wasting time, lack of cooking skills and the wish to try new things (IMR,



2019). This trend has made customers more selective, demanding increased quality, added value experiences and innovative concepts and flavours (Euromonitor International, 2020a). As a result, to remain competitive, restaurants are challenged to provide *differentiated offers* and adapt to a new and *highly informed consumer* (Riehle, et al., 2019).

## 4. Industry Trends

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### *Changing consumer eating habits and lifestyles*

Widespread busier lifestyles led customers to prioritise *convenience*, spend *less time* preparing meals at home and choose to spend their free time *socialising over a good restaurant experience* (Rogers, 2019). The increased choice of dining out or ordering food has also generated a need for *differentiation* and *innovation* (IMR, 2020).

Customer preferences are not only shifting towards *healthier* and *higher quality cuisines* but also towards *diversity*. Regarding the latter, *changing demographics* and an ever more globalised world increased customers' demand for different cuisines and culinary experiences (Riehle, et al., 2019). There is a clear change in people's attitude towards ethnic restaurants and a greater clamour for more authentic ethnic food – an emergent trend that is expected to grow in the years ahead (Euromonitor International, 2020b). Moreover, customers are increasingly aware of the quality of the food and service, making hospitality both a growing concern for owners and, when done right, a great source of brand loyalty (Reichheld, et al., 2017).

### *The rise of millennial values*

Millennial consumers, aged 22 to 37 years-old, have a new set of values, they seek “committed brands with authentic products (...) more local and natural” (Faber, 2018). These consumers are generally *tech-savvy*, *values-driven*, *collaborative*, *hyper-connected* and *social* (Feinberg, et al., 2017). They are increasingly *health-conscious* and *environmentally aware*, demanding curbs on plastic and waste, with 61% stating they believe that they can make a difference in the world through their choices (Daneshkhu, 2018). There is also a palpable concern for more *transparency* from the

companies, a greater interest regarding food sourcing and a mindful decision to reduce consumption of processed foods. Moreover, these growing concerns are also partially responsible for the rise of plant-based diets as a trend, with vegetarian and vegan options becoming paramount to any restaurant menu (Olayanju, 2019).

This new generation of disruptors seek *conscious dining experiences: authenticity* and *sustainability* (Daneshkhu, 2018). In an oversaturated restaurant market, they value greater specialisation of the product and service to their needs, leading restaurants to offer an increased personalised offer. Hence, smaller brands are becoming industry challengers by offering more singular and exciting alternatives (Khan, et al., 2020). These millennial trends and habits are not merely characteristic of this generation but rather percolate throughout the whole industry. In fact, with Gen Z gaining more market power, constructs of authenticity are going to be critical for future endeavours and “[restaurant values] have to be a genuine outgrowth of who you are as a company” (Francis & Hoefel, 2018).

### *The power of technology as a tool*

The role of technology in the foodservice industry has been one of the most disruptive trends in the past decade, and one that is forecasted to keep growing. *Digitalisation* has revolutionised customer experience and food delivery services (Martin, 2019).

The use of *home delivery services* is a trend demonstrating exponential growth and is becoming a highly competitive business, globally and in Portugal (Khan, et al., 2020). Mobile apps are revolutionising the market, allowing restaurants to increase their revenues, become closer to customers and possibly attract new ones (Euromonitor International, 2020a).

Technology has also become an essential part of the customer experience and a key communication tool, as it allows restaurants to better understand their consumers and to communicate their offer more efficiently (Feinberg, et al., 2017). Customer engagement during an experience is described in six stages: the decision to choose the restaurant, the waiting period to be

seated, the moment they place an order, the moment they are served, when they pay and exit, and the aftermath (Yoo, et al., 2020). Each stage is now influenced by technology, creating benefits not only for the company, by increasing profits, but also for the customer, by enhancing their convenience and control over the process (Bolden, et al., 2017). The customers now use review-based and booking apps, such as TripAdvisor and TheFork, and at times the restaurants' social media, to make a more informed decision regarding the choice of restaurant. This carves an opportunity for the restaurant to strategically curate and share more of their offers and overall atmosphere (Sage, 2016). The use of *queue management* systems, with apps like QLess or small devices, has also become a trend (Klein, 2020).

Moreover, when the customers receive their food, they are more likely to take a picture and share it on *social media or review app*, increasing the restaurant's visibility (Reichheld, et al., 2017). *Cashless payments* are an upward trend, with mobile wallets or apps, like Apple Pay and MB Way, and the use of devices that allow the customer to split the bill while securely paying are increasingly demanded as *pay-at-the-table options* (Riehle, et al., 2019; Silva, 2020). Lastly, digitalisation allows businesses to understand the level of satisfaction of the consumer through shared media and reviews, or via feedback requests, allowing the restaurant to best adapt their offer and to neutralise weaknesses in its current processes (Littman & Beckett, 2020).

## 5. Business Structure

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### 5.1. Culture

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The culture of any business plays a vital role in its success since it embodies its values, mission and overall purpose. It defines the behaviour one wants to foment, ultimately determining employee conduct, perceptions and relation to the workplace (SHRM, 2020).

It is paramount for *Ode à Naus* to create quality experiences. These are ultimately dependent on how the employees understand the three aforementioned core business values and how they communicate them to the customer. The goal is to create an *enthusiastic, honest culture* that trains

the staff to deliver a friendly service atmosphere – engaging, genuinely welcoming and hospitable staff that understand that we are selling an experience, where every detail counts. Given that it is a customer-centric business, they must be prepared to fully satisfy customer needs, particularly, by clarifying and having a deep understanding of the concept, menu, the history of Indian cuisine and its ingredients and even smoothly dealing with customer complaints and overall expectations. The stronger the relationship with the customer, the easier it will be to interact, comprehend their needs and preferences, inspire trust and add value to the experience, translating into greater customer loyalty and, most importantly, positive WOM (Jalilvand, et al., 2017).

## 5.2. Human Resource Strategy

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A strong culture fosters company performance; hence, the HR strategy's primary goal is to *sustain and empower that culture*. Both the interviews and research conducted revealed that one of the greatest challenges facing the restaurant industry is the *scarcity of talent* due to shortage of qualified labour, straining job demands and a lack of fair, professional validation (Chaves, 2019). It also revealed that most Indian restaurants in Portugal fail to invest in their service, one of their most significant shortcomings. Hence, it is vital to establish a strong HR strategy that is focused on well-established recruitment and training practices.

HR has a vital role in perpetuating and capitalising on a strong culture, starting with recruiting and selecting applicants who will share the business's beliefs and thrive in that culture (SHRM, 2020). Hence, the recruitment process will focus significantly on the applicant's mindset – recruit the mindset, train the skills. Inclusive, cooperative, enthusiastic and friendly are a few of the common traits that employees must possess to fit the way the business will operate and to deliver superior performance.

Different jobs will require different skill sets. Overall, one that has shown to be crucial is the waiters' ability to speak Portuguese and English fluently. When hiring, Indian restaurants in Portugal have shown a greater preference for people of Portuguese Indian or of south Asian

backgrounds (Bangladeshi, Indian). At times, this preference has hindered their service due to their inability to communicate suitably with the customers, given the lack of Portuguese language skills.

The entire team will undergo continuous training processes, either to acquire new knowledge or to improve existing skills and will focus on employee's competencies and conduct. The scarcity of talent facing the whole industry makes training an essential strategy for employee retention and performance. The goal is to develop motivated and committed employees and empower them by *adding to their pre-existing skillset* (Bodimer, 2020). To foster *good communication*, regular refreshers and training in the brand's values are vital, together with weekly meetings to plan the week ahead, discuss the customers' evolving needs, preferences and/or concerns and gather feedback for possible improvements from employees.

Beyond standard practices, to build a cohesive team and happiness in the workplace, several modern management techniques and initiatives will be in place to motivate and foster good communication amongst employees. For instance, apps and digitalised platforms will be used to support and facilitate the management of the team, stocks and orders, including scheduling and communication. Using team apps allows for constant communication and to create, track and manage specific goals and tasks. It will enable each employee to easily report on completed task and give instantaneous feedback on further improvements in specific situations. At least once a month, the restaurant's employees will share a meal at the restaurant, as an informal moment for team building.

### 5.3. Partnership and Management

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*Ode às Naus* is a Project to be constituted as a *limited liability partnership* (LLP) between Maria Braz (1) and Priya Balkrisna (2). Both partners have an equal stake and fulfil the duty as managers of the business. The management philosophy is based on teamwork, responsibility and mutual respect. It is the goal of both entrepreneurs to create and operate in an environment that encourages *high performance, honesty, diversity and growth*.

The first entrepreneur has a bachelor's degree in management and quantitative methods from CASS Business School in London and is currently pursuing a master's degree in management with expertise in Strategy and International Business. She collaborated in the concept design and development of the start-up platform *FullNumber* took part in Start-up training at the Web Summit in 2017. Having lived four years in the UK, a market where Indian food is the 4<sup>th</sup> most popular cuisine in the country (Bailey, 2018), and two years in an Indian community, has and will contribute with meaningful insights for the project. Her primary responsibilities will include developing and implementing the overall business strategy, managing and monitoring daily activities and ensuring secure supplier relationships (HR, management & operations, customer service).

The second partner has a finance and accounting bachelor's degree from ISCTE, with previous experience in banking and FMCG sector and is currently pursuing a master's degree in management with expertise in marketing. Besides the financial managerial capabilities, being Portuguese with Indian roots herself and having lived in India for a year were crucial for the project as it shed light on the specificities of the Indian cuisine and culture. Her responsibilities will entail financial management and planning, establishing and developing a strong communication strategy, together with other platforms (for instance, Zomato and TheFork), as well as reaching out to new business opportunities (Finance, accounting and marketing). Even though each partner has specific functions and responsibilities, all business decisions are made together.

#### 5.4. Team

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Implementing a formal organisational structure is not essential in the business's beginner stages due to its size and configuration. The cornerstone of the personnel plan is to maximise productivity and customer satisfaction while maintaining strong employee commitment to operations' success, hence reducing personnel will never be used as a strategy to minimise costs if it hinders customer experience. Hence, the restaurant will initially only recruit essential staff (6), totalling eight full-time personnel, occupying the following functions: manager (2), chef (1), sous chef (1), kitchen

assistants (2) and waiters (3). As the project matures, new human resources will be recruited for the kitchen assistant and waiter functions. Regarding the design and maintenance of the website, IT, cleaning services and overall merchandise of the brand, these will be outsourced.

Indian cuisine is more labour-intensive and complex than traditional Portuguese cuisine. Hence, requiring more time for *mise en place*, a *higher degree of task definition* and specialised personnel. The chef and sous chef will be the key recruits for the success of the business.

## 6. Communication Strategy

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### 6.1. Segmentation and Target Market

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As indicated in the industry and market trend analysis, millennials present as an opportunity in this market. Not all millennials display the same exact behaviour; consequently, a narrower subgroup was identified as the target market – *Adventurous food seekers*. This segment's motivators significantly align with the product and service the business intends to offer and its values. The survey confirmed that almost 50% of millennials, and 48% overall, considered themselves adventurous food seekers. More participants identified as that, as income grew. Overall, they are characterised beyond pure demographics and have a relatively similar mindset (psychographics).

They seek authenticity, conscious dining experiences and transparency. They can be characterised as *tech-savvy, social, health-conscious, hyper-connected, values-driven, and time-starved* (Feinberg, et al., 2017). They are an emergent customer segment with an established and growing spending power, choosing to apply a significant percentage of it in restaurants and bars – with averages lying between 13 to 23% of their income (both in Europe and globally) (ASF, 2020). It presents tremendous growth opportunities for the brand.

In line with *Ode às Naus'* mission, 78% of millennials are more likely to seek a great *experience* than to buy something desirable (IFIC Foundation, 2017). Born between 1980 and the mid-1990s, they are open-minded and curious, and uniqueness is a ruling desire for them. Also known as the 'share generation', they consider dining out a social experience – with three out of

four millennials say sharing food among friends, family or co-workers is a great way to socialise (The Halo Group, 2020). Sustainability is also an increasing requirement for millennials, with 73% stating that they would pay more for sustainable produce compared to 63% of the general global population (McCaskill, 2015). They like travelling, are world curious and are more critical due to previous diverse culinary experiences. They are better informed regarding similar offers and seek out trendy restaurants and a wide range of various cuisines (Riehle, et al., 2019).

The target segment is of both Portuguese and international background. Lisbon has experienced an uprise in tourism and a steady increase of foreigners living in country – a greater presence of international mindset as they seek newer experiences. Both present medium to high-level income and are less price-sensitive than the Portuguese average (A/B). They have a similar mindset, with slightly different behaviours and manifestations, and will allow for more targeted marketing initiatives to be implemented. The whole experience is aligned and was partially designed to engage this segment, including the added services and features.

## 6.2. Communication strategy and tools

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The project's communication strategy is a key success factor and focuses on engaging the customers in their different experience/decision stages and has three main goals: to *build brand awareness*, to *generate restaurant traffic* and to *enhance customer relations*. In other words, seeks to establish the brand's position in the market, grow its customer base and to use customer experience to power WOM and e'WOM. The goal is not necessarily to create a loyal customer base, since this does not fully fit the target segment behaviours, but rather to channel their power to influence others and to share their experience through social media to attract new customers. This will be done through several channels that aim to target the customer's before, during and after the experience; and will always be done both in Portuguese and English to cater the designated target segment.



The entire brand communication will focus on showcasing exactly what the brand is offering through use of professional photography, similar colour scheme and a consistent message about the brand's values. There are three key aspects of this strategy: to provide a clean, trendy image that showcases how sustainable and authentic the business is; to be available in all major relevant online platforms; and to gain feedback and insights to constantly improve offers, communication strategy and appropriately manage negative feedback.

The *website* has a clean, elegant, easy-to-navigate and mobile-friendly design supported by creative writing style to leverage brand perception. It is most likely the first perception of the customer, as a survey from MGH found that 77% of customers visit a restaurant's website before they decide to either dine in or order from the restaurant (Keslo, 2019). It is also the only platform where the business has full control over the image of the restaurant without third party interference. The *Google AdWords* tool will be used to place the website at the top of results for queries related to Indian food in Lisbon. It will also collect essential data and insights, via *Google Analytics*, which will allow to design retargeting ads on secondary platforms (Dobрила, 2019).

Moreover, with 85% of millennials searching for a restaurant while on-the-go with their phones, the restaurant needs to be optimised for search (ASF, 2020). Hence, a *Google My Business* account will also be created to foster the decision-making process of the customer. It includes all main details regarding the business, while allowing for local discovery and for customers to book a table or order delivery in seconds. It is the equivalent to the new landing page and is also an important tool to review hidden customer analytics and to build and manage customer service; giving an overall edge over the competition (Google, 2020).

*Instagram* will also be a core channel of the communication strategy since it is one of the most consumed platforms by the target audience, as they represent 30% of the platform users in Portugal (Napolean, 2020). It is particularly vital to use high-quality visual content on this platform as millennials spend on average five days a year browsing food images on Instagram, with 30% stating

they would avoid a restaurant with a weak presence on this platform (Hosie, 2017). Hence, it becomes imperative to have an account that reflects the *Ode à Naus* dining experience. As a result, the team intends to be actively present in the platform by regularly posting content and exploiting the different tools it has to offer. For instance, two key strategies to be implemented are: to share content that consistently showcases authenticity and sustainability and to entice and use influencer marketing to create buzz and attract new customers.

Another critical success factor in this industry is having a strong presence in platforms like *Zomato*, *TripAdvisor* and *TheFork*. Since these platforms are specifically designed to facilitate the restaurant selection process for diners, most people believe on these reviews as much as family or friends' recommendations (84%) which is why they strongly influence consumer decisions (ASF, 2020). The survey also corroborated this, indicating that, before visiting a restaurant, Zomato (51%), Google Reviews (41%) and TripAdvisor (39%) are the most visited platforms.

Moreover, reviews and feedback will be encouraged, and special consideration will be given to replying to both positive and negative experiences - employing the EASE framework to manage reviews (empathise, acknowledge, solve and evaluate) (Lee & Trappey, 2010). Millennials are highly influenced by negative reviews; hence it is key to have an effective way to manage them. Online reservations through these platforms will also be made available to facilitate the consumer's decision journey.

Furthermore, as the business matures, management will also focus on cooperating with online press magazines such as *Nit.com* and *TimeOut*. These are great organic ways of promoting the business as they are trusted media sources.

All these channels will allow to improve the business outreach and build a larger customer base. While there are clear overall objectives for the whole communication strategy; measurable channel-specific objectives were established to evaluate the overall communication plan performance (refer to *Appendix 4*).

## 7. Strategic Elements

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### 7.1. Location

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Based on the survey results and market analysis, one can conclude that Portugal, particularly Lisbon, is the place to start this project. Lisbon showcases the necessary level of multiculturalism and is growing as an European city, and whereas a form of this concept is established in other European cities, such as in London, it has yet to reach Portugal.

Finding the right location is a critical factor in ensuring success and long-term sustainability within the restaurant industry (Mealey, 2018). Hence, in order to establish the one with the highest potential, several potential locations were evaluated with the following factors in mind: target market, area traffic (foot and vehicle), ease of access, parking accessibility, presence of restaurants and other food providers and the average rent price practised (refer to *Appendix 5*). *Saldanha* presented the highest potential to open a restaurant with similar offers to *Ode às Naus*.

*Saldanha* is one of Lisbon's most favourable locations, placed next to one of the city's main squares and avenues: Marquês de Pombal and Avenida da Liberdade. It has high visibility, high foot traffic and is one of the busiest areas in central Lisbon. It is also the intersection of two main Lisbon metro lines (red and yellow) and has greater parking availability than other areas closer to the city centre, revealing ease to access from different parts of town.

Moreover, *Avenidas Novas* – the city area it belongs to – accommodates several well-known national and international companies while being highly residential, presenting as a great opportunity to target above average income individuals with greater purchasing power. The executive menus should entice the foot traffic generated during weekdays; a period usually less affluent. *Saldanha* is also close to several university campuses and is a popular area for student accommodations, especially international, and is surrounded by several restaurants, bars and recreational facilities which increases the visibility for the business. Competition in this area does not play as big of a role as in other areas of Lisbon, as not only do the restaurants in this area tend

to have a good reputation and might inadvertently increase brand awareness for the business but there is also a limited number of similar offers in the area.

Furthermore, when comparing Saldanha to other potential locations, such as Principe Real or Baixa Chiado, the rent prices per square meter in this area are competitively lower. For instance, based on several online databases such as Imovirtual and Idealista, the average commercial site rent price in Saldanha is set between 2500 to 3500€ while locations closer to the heart of the city centre can experience higher values with an average set between 4000 to 5000€.

The location gathers the necessary conditions to match the preferences of the target market, while also potentiality attracting others, given that, according to the survey conducted, closeness to the place of residence or work was considered to be a highly determining factor, not only by the target group, but also by older, higher-income segments. The location strikes the perfect balance: tourists do not usually travel further north in the city than this point, and a significant amount of the Portuguese target market either lives or works near Saldanha.

## 7.2. Suppliers

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As aforementioned, it is crucial to secure two types of partnerships: *fresh produce* suppliers, sustainably sourced and local; and *Indian beverages and spices*, to offer the highest degree of authenticity. Even though they are both of importance; the latter is the most crucial and most difficult to establish, due to the limited number of suppliers. It hinders on the business' ability to offer authentic Indian food and on the variable expenses' bottom line. Interviewees were essential to gain a deeper understanding and the costs involved with Indian-specific goods suppliers.

The authors wanted to understand how costly and challenging it would be to establish such relationships, since suppliers of Indian goods are not as well established in Portugal as in other European countries. An analysis of several suppliers for Indian spices and beverages was conducted, taking into account several aspects: delivery time, order size and capacity, payment

terms and conditions, and discounts. *Popat Store*, *Casa Piripiri* and *Ayur* were identified as the most cost-effective suppliers for Indian beverages and as spices.

## 8. Concept Validation

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The restaurant industry has a relatively low success rate, with 60% of restaurants failing in the first year of business and 80% after five years (Bellini, 2016). To minimise the risk of failure, a lean start-up methodology will be implemented in order to create a viable business model (Blank, 2013). By following such approach, one must test the product in the market and verify if there is demand while continuing gathering customer feedback before fully launching the business. It is a way to verify the concept and hypothesis established, for instance, by creating a minimum viable product (MVP), in order to mitigate some level of risk.

The nature of a restaurant business, being it a mix of product and service, turns creating an MVP more convoluted. Hence, a strong form of concept validation would be to rent a space in a cloud kitchen/ Kitchen Hub, such as Cookoo in Lisbon (Cookoo, 2020). It allows the business to test the concept with minimal investment, given that a cloud kitchen utilises a commercial kitchen to prepare food for delivery or takeout only, with no dine-in customers (Oracle, 2020). It would allow to create an MVP and understand what type of dishes work best, improve kitchen processes efficiency and optimise delivery process without risking quality of the food delivered. It would also allow to work with the chef on the menu from scratch and to understand if the chef is the best fit for the business. Indian chefs tend to have singular ways of cooking certain dishes, and it is vital to establish from early on what flavours the authors want to be heightened. These are all critical aspects for the success of the project. Moreover, the use of this method to ascertain some degree of validation can, if necessary, be great leverage to attract investors.

The above-mentioned strategy is the next logical step before effectively implementing the project and the one the authors intend to follow. Nevertheless, the authors felt it was important to create at least some source of validation, taking into account *the scope of the present project*. Since

one could not create an MVP, focus was given to understand if there is actual demand within the target market. A landing page and an Instagram account for *Ode à Naus* were created and ran for an entire month (refer to [Appendix 6](#)). Pictures were posted two to three times a week with engaging captions and hashtags to attract more users. To increase legitimacy, the content focused mainly on the type of dishes and the space envisioned for the restaurant. The Instagram Bio included the link to the landing page to test if users were interested to know more about the product and service offers. The authors also shared regularly the Instagram page on their personal accounts to boost page activity. After one month, the Instagram page had 430 visits, and 170 clicked on the link that took them to the landing page.

This is a limited form of validation and does not necessarily translate to future sales; it merely shows if there is at least some degree of demand. If one analyses the numbers on a standalone basis, they are not outstanding. However, considering the business is not operational yet and that the marketing strategies were not fully in place, these numbers become relatively interesting.

## 9. Financial Estimations and Analysis

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The following section regards the most relevant projected financial information concerning the investments necessary for the project for five years, comprised between 2022 and 2026, as well as the rationalisation of relevant assumptions and key performance indicators.

### 9.1. Initial Investment & Funding Strategy

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#### *Initial Investment*

The estimated initial investment amounts to €130,000. The highest estimated costs in terms of the initial investment to be made are furniture (27%), space renovations (23%) kitchen equipment (14%) and to support initial operational expenses including inventories (16%). All these values are estimated market averages that take into account the premium type of service the business offers. For a detailed description of the specific investments required, refer to [Appendix 7](#).

## *Funding Strategy*

The authors considered several funding strategies; however, in an initial phase, the entrepreneurs do not intend to seek any external business partners. Therefore, the financing of the start-up capital will be restricted to the following three primary sources: 35,000€ will be generated from personal savings of both entrepreneurs; 40,000€ from soft loans from family and friends and the remainder 55,000 will be expected from a bank loan.

The bank loan is a critical element to be secured; thus, in-depth research was carried out for the best-suited start-up bank financing programs. The following three programs were identified as the best solutions to meet the project's criteria and requirements: the *Caixa Jovem Empreendedor* from Caixa Geral de Depósitos; Invest+ by IEFP and ADN Start-Up by IAPMEI. Detailed specifications on each of the loans are depicted in *Appendix 8*.

If the entrepreneurs fail to secure the bank loan, the team will search for other financing options by participating in the start-up initiatives or hubs in order to find investors who are willing to fund the project. There are several initiatives for this purpose in Portugal, that meet the project's criteria, for instance, From Start to Table, Start-Up Portugal and *Passaporte para o Empreendedorismo* by IAPMEI. The specifications on each initiative are detailed in *Appendix 9*.

## *9.2. Sales Forecast and assumptions*

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It is particularly challenging to accurately estimate the sales a company will have on a monthly basis. Therefore, several assumptions were made based on the interview analysis and market research (detailed in *Appendix 10 & 11*). One can see high sales growth between the first (256,596€) and second-year (478,424€). Forecasted sales are relatively low in the first year, due to an initial lack of customer base and brand recognition, and increase drastically in the second, due to the payoff of aggressive initial marketing efforts and a more established local presence. After the first two years, a yearly growth of 3% for seat-down meals and 10% for delivery and takeaway meals is assumed, based on forecasted market averages (Deloitte, 2019; MarketLine, 2020).

### 9.3. Operational Expenses

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The operational expenses between 2022 and 2026 can be clustered into six main categories, detailed in *Appendix 12 & 13*: payroll, advertising and promotion, delivery packaging materials and merchandise, rent, utilities and amenities, and other services. An increase in expenses is expected throughout the forecasted period to support sales growth.

### 9.4. Profit & Loss Statement

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A forecasted profit and loss statement was computed based on the revenue expected and on the cost projections (refer to *Appendix 14*). Only the first year finished at a loss, with -47,270€, due to initially low forecasted sales. The following years are increasingly profitable, after the break-even point is reached between the first and second year. From 2025 and 2026, the profit increases at a slower rate, compared to previous years, mainly due to the added costs of additional personnel. However, this investment is essential to guarantee the quality of service intended to offer and sustain the sales for the upcoming years.

### 9.5. Viability Indicators

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Based on the revenue expected and on the cost structure projections, a discounted cash flow model was computed (refer to *Appendix 15*) to analyse the viability of the project, established on the assumptions in *Appendix 16*.

The projections showcase a very positive scenario, with a forecasted NPV of 105,088€. The IRR (23%) is also a promising indicator, well above the 5.5% discount rate (based on the WACC model). The profitability index is higher than 1, meaning that for each 1€ invested the business is able to generate an additional 0.81€. The payback period is of 4 years and 2 months (refer to *Appendix 17*). Overall projections indicate that the project is viable.

## 10. Conclusion

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The analysis conducted, based on the survey, interviews and secondary data, validates the opportunity in the market initially expected. Consumers are increasingly looking for authentic and,



if marketed accordingly, there is a *gap in the market for a potential new concept* of Indian restaurant in Portugal.

In accordance, the authors developed a unique detailed concept that aims to deliver a novel experience of Indian culture and cuisine, rooted in *authentic* and *sustainable* values, to adventurous food seekers. The whole experience and business were designed to meet this segment's needs and preferences. To successfully do so, the business must meet all the aforementioned critical factors taking into particular account the following four elements. The recruitment of a *skilled chef* that fits the business's culture and that guarantees the authenticity and quality of the dishes. *Empowered staff* members willing to transcend traditionally defined roles and that deliver a formidable, *friendly customer service* thus, enhancing overall *customer experience*. Securing a space in the established desired location, within budget, is crucial to achieve success and long-term sustainability in the restaurant industry. And finally, a strong, efficient marketing strategy that is able to reach the intended target market and to effectively share the brand's values and offers.

Moreover, risks are an inherent part of any business undertaking. Beyond not being able to secure the critical success factors, one of the most significant risks the business faces is the lack of ability from the customer to understand 'the new type of authentic Indian restaurant' created; given that the Indian restaurant market in Portugal is saturated with 'typical Indian commercial' offers. Thus, concept validation is a vital element to mitigate that risk by using a Cloud Kitchen space to test the product, as previously mentioned. The lack of experience in the restaurant industry by both authors, who would be the two owners, poses as a risk to heed.

The concept developed, market trends and financial analysis all indicate that the project is not only viable but also manifests potential. It is important to stress that one can never accurately predict financial projections, even though a conservative approach was followed based on detailed assumptions.

If one had to consider future prospects, based on Ode às Naus proven success, the goal would be to create a micro chain of authentic Indian restaurants. Each fomented on an individualistic concept, that would allow to collectively capitalise on brand recognition and gained experience.

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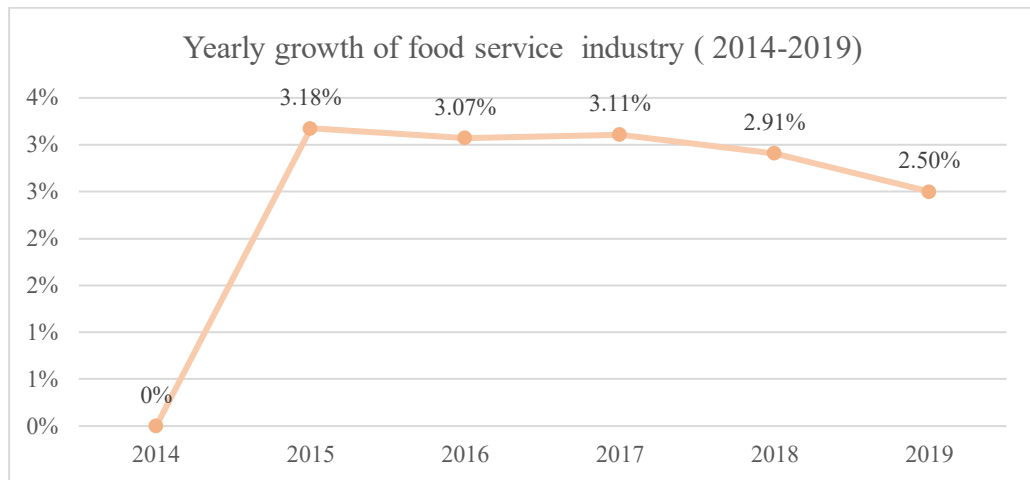
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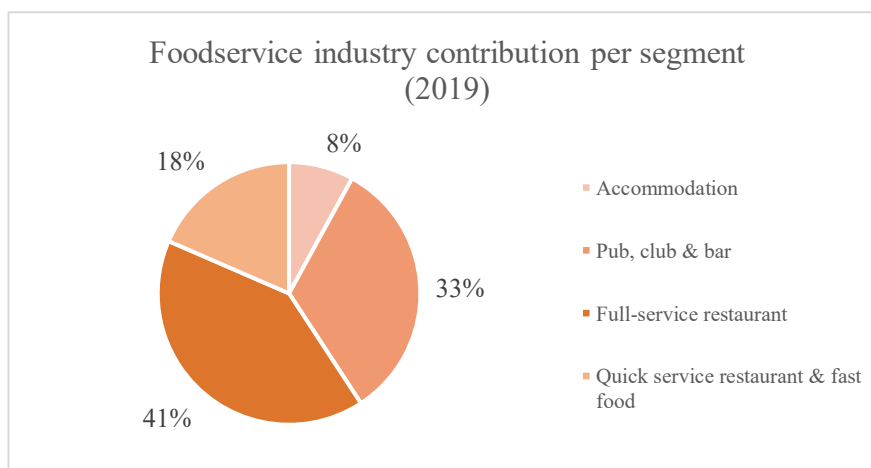
## 12. Appendices

### *Appendix 1: Yearly growth of food service industry in Portugal, 2014 to 2019*



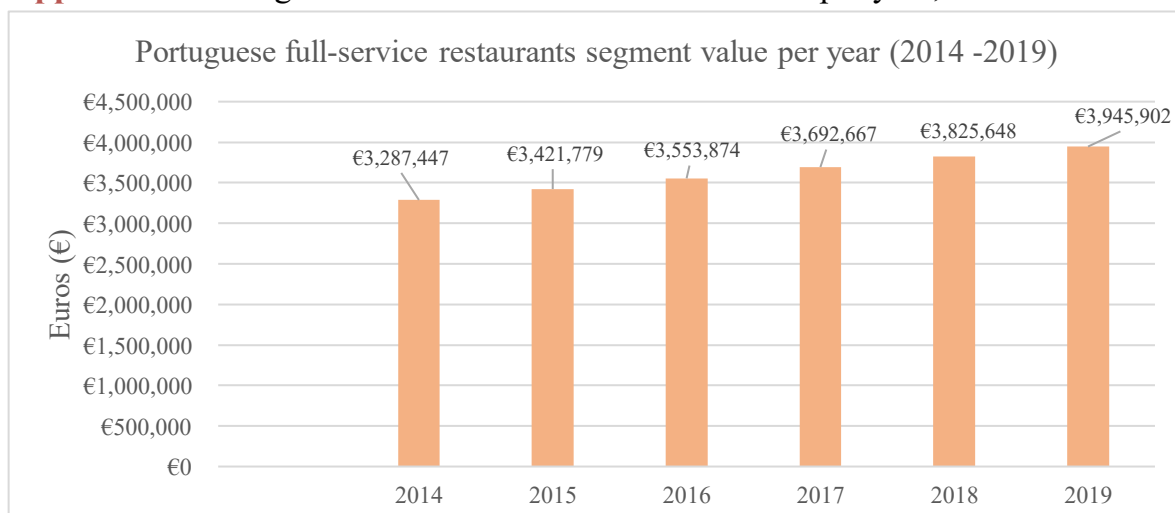
(MarketLine, 2020)

### *Appendix 2: Foodservice industry contribution per segment in 2019*



(MarketLine, 2020)

### *Appendix 3: Portuguese full-service restaurants revenues per year, 2014 to 2019*



(MarketLine, 2020)

#### Appendix 4: Communication channels specific measures

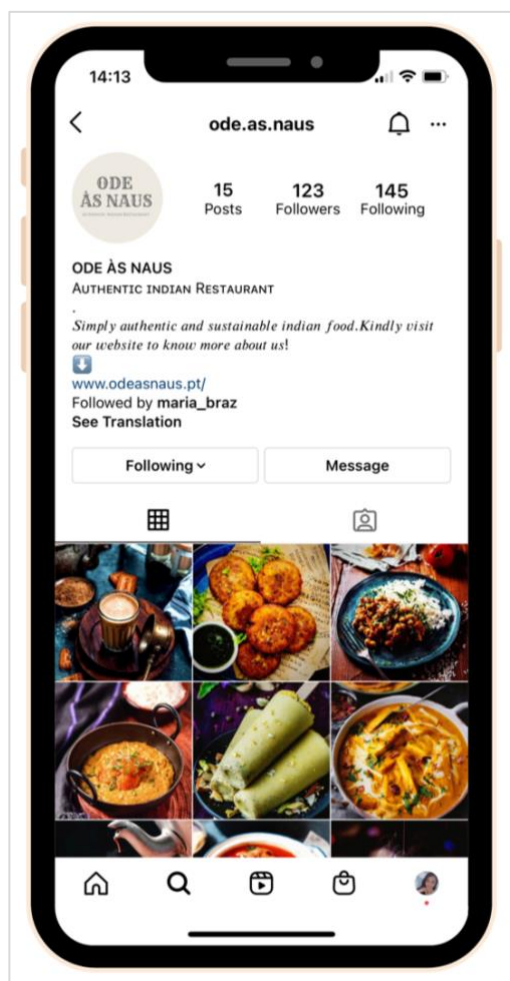
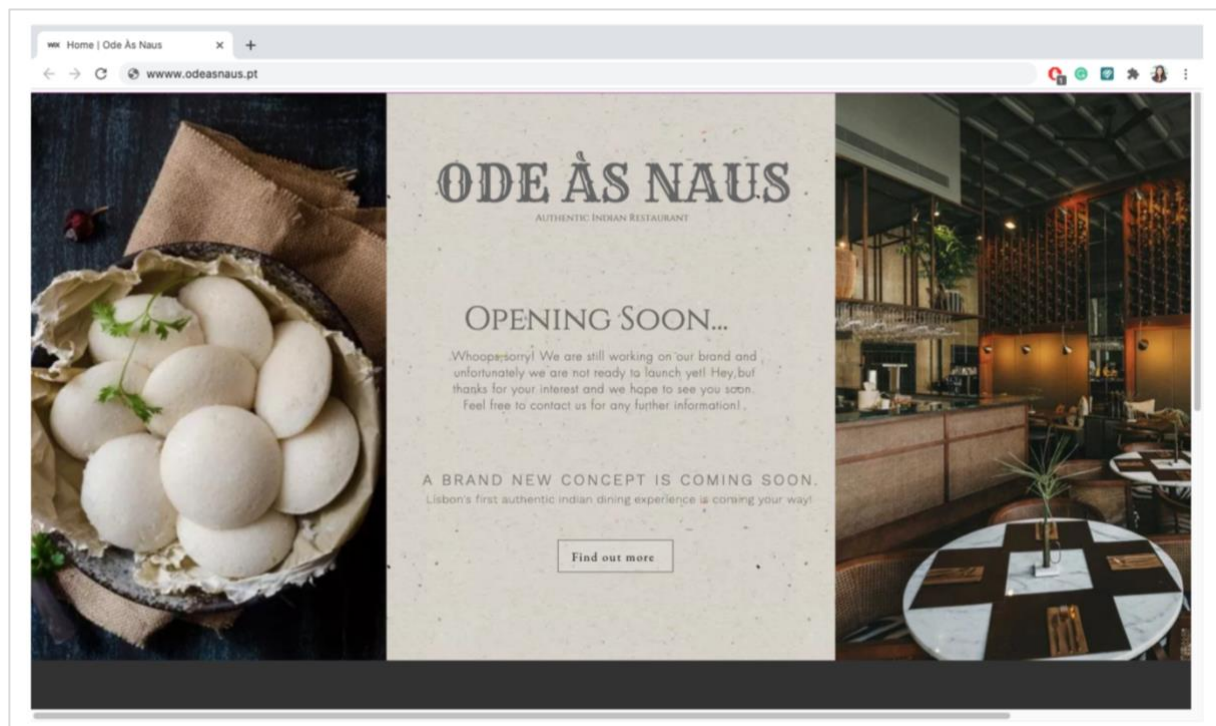
Channel	Objective	Metrics
Website	Be on top of the results for queries related to Indian food in Lisbon in the organic search	<i>Tools Used:</i> Google Analytics, SEO <i>Indicators:</i> CTR, CPC, average time on page, bounce rate, leads, conversion rates
Google My Business	Simplify the Consumer Decision Journey	<i>Tools Used:</i> Google Analytics <i>Indicators:</i> searches on Google Maps, nr. of reviews, rating, clicks on the link, nr. of table reservations
Instagram	Increase online presence	<i>Tool Used:</i> HootSuite, Buffer, Facebook Creator Studio <i>Indicators:</i> nr. of followers, average nr. of likes/comments per post, level of engagement, saved posts
Food Review Platforms	Boost e-WOM	<i>Indicators:</i> average rating, nr. of reviews, word cloud
Public Relations and Online Media	Increase Brand Perception	<i>Indicators:</i> nr. of interviews, nr. of events, positive/ negative perception

#### Appendix 5: Restaurant location analysis

Possible locations	Demographics	Area traffic (foot & vehicle)	Ease of access	Parking availability	Presence of restaurants and other food offers	Average rent price €/m <sup>2</sup>
Príncipe Real	Tourists	High	High	Low	112	17-25€
Baixa Chiado	Tourists	High	High	Low	178	17-25€
LX Factory	Tourists & Locals	High	Medium	Low	26	15-20€
Cais do Sodré	Tourists & Students	High	High	Low	79	15-20€
Bairro Alto	Tourists & Students	High	Medium	Low	253	17-25€
Santa Apolónia	Locals	Medium	High	High	61	15-20€
Avenida da Liberdade	High-end Customers	High	High	Medium	165	25-35€
Saldanha/ Campo Pequeno	Business, Locals and Tourists	High	High	Medium	220	15-20€
Colinas do Cruzeiro	Residents	Low	Low	High	295	10-15€
Parque das Nações	Business and Locals	Low	High	High	270	15-20€



## Appendix 6: Landing page and Instagram page



## *Appendix 7: Detailed forecasted initial investment*

Initial Investment	Estimated Values	% of Total Investment
Renovations	€ 30,000.00	23.08%
Permits and Licenses	€ 1,200.00	0.92%
Technology Equipment (POS, PC, Phone, Printer)	€ 2,250.00	1.73%
Delivery Partners Activation Fees	€ 900.00	0.69%
Total Kitchen Equipment	€ 17,900.00	13.77%
Cooker	€ 1,500.00	1.15%
Condensation Hoods	€ 1,250.00	0.96%
Fridge and Freezers	€ 2,500.00	1.92%
Dishwasher	€ 1,500.00	1.15%
Tandoori Oven	€ 750.00	0.58%
Industrial Sink	€ 700.00	0.54%
Workspaces Inox	€ 700.00	0.54%
Storage	€ 1,250.00	0.96%
Cooking and Bar Utensils	€ 3,000.00	2.31%
Fryers, Blending Machines & other cooking tools	€ 3,000.00	2.31%
Uniforms	€ 750.00	0.58%
Others	€ 1,000.00	0.77%
Furniture	€ 34,500.00	26.54%
Tables	€ 12,750.00	9.81%
Chairs	€ 6,500.00	5.00%
Reception Area	€ 1,250.00	0.96%
Bar Equipment	€ 10,000.00	7.69%
Tableware (Dishes and serving materials)	€ 4,000.00	3.08%
Decoration	€ 12,500.00	9.62%
Interior Designer	€ 2,500.00	1.92%
Website Design	€ 500.00	0.38%
Initial Inventory Costs	€ 7,000.00	5.38%
Initial Operational Costs	€ 13,700.00	10.54%
Training and Development	€ 1,500.00	1.15%
Image Consultant Services	€ 1,200.00	0.92%
Miscellaneous	€ 4,350.00	3.35%
<b>Total Initial Investment</b>	<b>€ 130,000.00</b>	<b>100%</b>

## *Appendix 8: Bank loan selected programs*

### **Caixa Jovem Empreendedor by Caixa Geral de Depósitos**

The 'Caixa Jovem Empreendedor' program offers a loan 50,000€ loan (limited to 80% of the total investment value) for young entrepreneurs, aged below 40 years old, with the main objective of financing the acquisition of equipment and/or other components for the launch and/or development of small businesses. The loan repayment period can go up to 6 years for new companies in the market (CGD, 2020).

### **Invest+ by IEFP**

This credit line is intended to support entrepreneurship and the creation of small companies that generate employment and contribute to the dynamism of local economies. It offers up to a 100,000€ loan (limited to 95% of the total investment value) for an interest rate of Euribor 30 days + spread of 2.5%. The loan repayment can go up to 7 years without prejudice, with the possibility of early amortization (total or partial) without costs. The promoter(s) of the company creation project must be at least 18 years old at the time of the request, and half of the promoters must, cumulatively, be recipients of the program, create their full-time job and jointly own more than 50% of the share capital and voting rights (IEFP, 2020).

### **ADN Start Up by IAPMEI**

ADN Start Up provides a 50,000€ loan for micro-companies in the beginning of their life cycle or with activity up to 4 years and with a minimum equity of 15%. The value can exceed up to 100,000€ if the company's activity characteristics involve the need for productive equipment or an integrated production system whose acquisition and installation value is greater than 150,000€. The maximum term of operation can go up to 8 years, and the interest rate practised is variable (Euribor + spread), with a maximum spread rate of 3.75% (IAPMEI, 2020).

## *Appendix 9: Funding start-up initiatives*

### **From Start to Table**

From Start to Table is an acceleration program for start-ups in the restaurant ecosystem focused on technology, innovation and customer experience. The program offers 20,000€ to the best two projects of the contest (10,000€ each) and direct access to the incubator Start Up Lisboa (FSTT, 2020).

### **Start Up Portugal – National Strategy for Entrepreneurship**

This program streamlines the development of business projects that are in their idea stage and targets young entrepreneurs between the ages of 18 and 35. It does so, through various support mechanisms made available over a period of up to 12 months (the preparation phase of the business project). Example of support instruments are:

- ‘Bolsa’ – a monthly amount of 691.70€, allocated for the development of the business project; only a maximum of two grants can be awarded per business project.
- Mentoring – access to a network of mentors to provide guidance to promoters.
- Monitoring of the project – by an accredited entity.
- Mid-term evaluation prize – attribution of prizes to projects that obtain a positive mid-term evaluation according to the fulfilment of objectives of each phase.
- Achievement award – award of a prize in the amount of 2,000€ for the business project by creating a commercial company (IAPMEI, 2020).

### ***Passaporte para o Empreendedorismo by ERDF***

The measure supports innovative entrepreneurship projects with growth potential, developed by young graduates, aged up to 30 years old, or up to 34 years old, if they have a master's or doctorate. For a minimum of 4 and a maximum of 12 months, young people can benefit from a monthly grant to work on their business idea, which will be complemented by advice and technical assistance in the development of the business project. The Passport for Entrepreneurship measure was created under the *Impulso Jovem* Program and is supported by the ERDF, through the North PO, the Center PO and the QREN Alentejo PO (UCP, 2020).

## ***Appendix 10: Sales Forecast assumptions***

### **Sales forecast assumptions for the first 2 years (Seat-Down meals)**

- The restaurant will have an average of 50 seats, and a minimum of one table turnover was assumed per meal. To take that into account, for simplification purposes, 100 seats appear on the sales forecast table (50 seats with one turnover).
- The first 6 months are expected to have lower sales performance, as a consequence of being a start-up business, that has yet to foment and increase brand visibility and to establish a client base. However, an increasing flow of customers is expected to start occurring gradually each month due to aggressive marketing and promotions efforts powered by the high visibility and foot traffic of the restaurant's location.
- It is expected that on weekdays, the lunch period has a lower occupancy rate than dinner, based on interview results and market analysis.

- The weekends (Fridays Nights, Saturdays and Sundays) are usually busier than weekdays; therefore, a higher occupancy rate is expected, by comparison.
- Slight seasonality effect is expected, due to specific characteristics of Indian food. The average occupancy rates are slightly higher in cold months such as January, February, September and October. November and December are also expected to have marginally higher occupancy rates due to it being Christmas, a season characteristic for an increase in social gatherings.
- Seasonality effect is also expected during summertime, given that most residents are usually outside of the city for the holidays; thus, a lower occupancy rate is assumed in July and August.
- The restaurant is expected to open a total of 26 days per month, having only one day per week of weekly rest. It will also close on the main nationals' holidays of Easter, Christmas and New Year's Eve. Therefore, it will be only open approximately 310 days a year.
- In alignment with the pricing strategy, the average price of 17.5€ for lunch and 27,5€ for dinner was assumed. However, on weekends the average price paid for lunch and dinner will be the same (27,5€) based on the target market and overall consumers' dining out habits (averages include VAT).
- According to the legislation regarding the VAT rate for restaurants, there are two distinct rates: 13% for food, milk, coffee and bottled water and 23% for spirits, wine, beer, soft drinks and packaged juices. Assuming that on average, 80% of the meal represents the food and 20% the drinks, a weighted average VAT rate of 15% was assumed. However, since the VAT does not imply any revenue source for the company, this amount will be deducted from the average prices per meal mentioned above, for the purpose of the sales forecast computations.

#### **Sales forecast assumptions for the First 2 years (Delivery/ takeaway meals)**

Similar assumptions were made for the sales forecast for the delivery/ takeaway meals.

- In the first 6 months, the number of orders is expected to be relatively low due to it being a new concept and business in the market.
- After the first 6 months, an increased flow of orders is expected. It will continue to grow on a month-to-month basis due to constant investment in marketing initiatives and high presence on delivery platforms.
- According to the pricing strategy, it is assumed an average price per meal of 14,5€, representing a revenue for the company of 12.33€ (excluding 15% of VAT and delivery charges).
- It is assumed that out of the total of-site meals, 70% will be representative of online delivery services, and 30% will be direct takeaway.

#### **Sales forecast assumptions for the remaining 3 years**

- For seat down meal sales, a growth rate of 3% each year is assumed, according to the market line forecast for full-service restaurants (MarketLine, 2020).
- Regarding Food-Delivery services, an average growth rate of 10% is assumed (Deloitte, 2019).

## Appendix 11: Sales Forecast – sit-down meals and online delivery and takeaway

### Sales Forecast – Sit-down meals

	January	February	March	April	May	June	July	August	September	October	November	December
<b>1st Year</b>												
<b>Lunch - Weekdays</b>	5%	7%	10%	10%	15%	15%	15%	15%	20%	20%	25%	25%
<b>Lunch - Weekends</b>	10%	12%	15%	15%	20%	20%	20%	20%	25%	25%	30%	30%
<b>Dinner - Weekdays</b>	7%	9%	11%	12%	17%	17%	17%	17%	25%	25%	30%	30%
<b>Dinner - Weekends</b>	12%	14%	16%	17%	23%	23%	23%	23%	30%	30%	35%	35%
<b>Total Guests/ Month</b>	612	756	936	972	1350	1350	1350	1350	1800	1800	2160	2160
<b>Total Sales/months</b>	€8,398	€10,523	€13,103	€13,711	€19,210	€19,210	€19,210	€19,210	€ 26,159	€26,159	€31,471	€31,471
<b>2nd year</b>												
<b>Lunch - Weekdays</b>	25%	25%	30%	30%	30%	30%	25%	25%	30%	30%	40%	40%
<b>Lunch - Weekends</b>	30%	30%	30%	30%	30%	30%	30%	30%	35%	35%	45%	45%
<b>Dinner - Weekdays</b>	30%	30%	35%	35%	35%	35%	35%	35%	35%	35%	50%	50%
<b>Dinner - Weekends</b>	35%	35%	35%	35%	40%	40%	35%	35%	40%	40%	50%	50%
<b>Total guests/ month</b>	2160	2160	2340	2340	2430	2430	2250	2250	2520	2520	3330	3330
<b>Total sales/ month</b>	€31,471	€31,471	€34,914	€34,914	€35,849	€35,849	€33,575	€33,575	€36,784	€36,784	€49,513	€49,513

<b>Assumptions</b>		
Operating weekdays a month	18	
Operating weekends a month	8	
Seats inside per meal period (50 x 2)	100	Including VAT of 15%
Avg. price per meal/person at lunch (weekdays)*	€ 14,88	€17,50
Avg. price per meal/person at lunch (Weekends)*	€23,38	€27,50
Avg. price per meal/person at dinner (all days)*	€23,38	€27,50

\*Prices excluding VAT

### Sales Forecast – Online delivery and takeaway

	January	February	March	April	May	June	July	August	September	October	November	December
<b>1st Year</b>												
<b>Lunch - Weekdays</b>	0	1	1	2	2	2	2	2	2	3	3	3
<b>Lunch - Weekends</b>	0	1	1	2	2	2	2	2	3	3	3	3
<b>Dinner- Weekdays</b>	0	1	2	2	3	3	3	3	3	3	3	3
<b>Dinner -Weekends</b>	0	1	3	3	3	3	3	3	4	4	4	4
Online delivery	-	€449	€742	€966	€1,122	€1,122	€1,122	€1,122	€1,260	€1,415	€1,415	€1,415
Takeaway	-	€192	€318	€414	€481	€481	€481	€481	€540	€606	€606	€606
Total orders/ month	-	52	86	112	130	130	130	130	146	164	164	164
Total Sales	-	€641	€1,060	€1,380	€1,602	€1,602	€1,602	€1,602	€1,799	€2,021	€2,021	€2,021
<b>2nd Year</b>												
<b>Lunch -Weekdays</b>	3	3	4	4	4	3	3	3	5	5	5	5
<b>Lunch -Weekends</b>	4	4	5	5	5	4	4	4	5	5	6	6
<b>Dinner -Weekdays</b>	3	3	5	5	5	4	4	4	6	6	6	6
<b>Dinner- Weekends</b>	4	4	4	4	4	4	4	4	6	6	6	6
Online delivery	€1,484	€1,484	€2,019	€2,019	€2,019	€1,639	€1,639	€1,639	€2,467	€2,467	€2,536	€2,536
Takeaway	€636	€636	€865	€865	€865	€703	€703	€703	€1,057	€1,057	€1,087	€1,087
Total orders/ month	172	172	234	234	234	190	190	190	286	286	294	294
Total Sales	€2,120	€2,120	€2,884	€2,884	€2,884	€2,342	€2,342	€2,342	€3,525	€3,525	€3,624	€3,624

<b>Assumptions</b>		
Operating weekdays a month	18	
Operating weekends a month	8	
Online delivery (% of sales)	70%	
Takeaway (% of sales)	30%	Including VAT of 15%
Average price per order	€12.33	€ 14.5



## *Appendix 12: Operational Expenses assumptions*

<b>Payroll Expenses</b>	<p>The annual payroll expenses for each staff member reflect only the financial obligations of the company. These include the base salary (established slightly above market averaged in order to be aligned with our HR strategy), food allowance, social security (23.75% of base salary/ month), work accident insurance (1% of base salary/month), compensation fund (9€/month) and Christmas and vacation allowance.</p> <p>The number of staff was idealised so that each works 40 hours a week, hence no overtime, and on the rotation scheduling system.</p> <p>The company intends to increase personnel throughout the years to support sales growth, as detailed in <i>Appendix 20</i>.</p>
<b>Advertising and Promotion</b>	<p>Advertising costs are related to all the initiatives and strategies mentioned in the communication strategy. It mainly concerns the Paid Social Media Ads and Google AdWords for which a monthly budget of 500€ is established. Nevertheless, all marketing decisions will be conducted on an ongoing basis with careful consideration of costs and the respective results (generated returns).</p>
<b>Rent</b>	<p>The restaurant will rent a space with approximately 175 m<sup>2</sup>. The rent for a commercial space in Saldanha is set between 15€ and 20€ per m<sup>2</sup>/month. Hence, the average rent is assumed to be 3500€/month, over the course of 5 years (5-year fix term contract is assumed).</p>
<b>Delivery Packaging</b>	<p>For the delivery boxes, bags, napkins, business cards and other related items will account for 350€/month.</p>
<b>Utilities and Amenities</b>	<p>Based on industry averages expenses for utilities (gas, water, electricity) were assumed to be 900€ per month. For expenses regarding telecommunications, it is expected an average cost of 100€/month.</p>
<b>Other services</b>	<p>For other services concerning the business such as accounting services and systems, cleaning services, security, equipment and space maintenance expenses, the company expects to spend on average 1,400€/month.</p>



### Appendix 13: Operational Expenses Forecast

#### Payroll Expenses by job description

	Base Salary	Food Allowance	Social Security	Work Accident Insurance	Compensation Fund	Monthly Salary	Annual Salary
<b>Kitchen (BOH)</b>							
Chef	€1,000	€167.86	€237.50	€10	€9	€1,424.36	€19,417
Sub Chef	€850	€167.86	€201.88	€9	€9	€1,237.24	€16,801
Kitchen Assistant	€750	€167.86	€178.13	€8	€9	€1,112.49	€15,056
Kitchen Assistant (Part-time)	€400	€167.86	€95.00	€4	€9	€675.86	€8,950
<b>Service Area (FOH)</b>							
Manager	€750	€167.86	€178.13	€8	€9	€1,112.49	€15,056
Staff	€750	€167.86	€178.13	€8	€9	€1,112.49	€15,056
Staff (Part-time)	€450	€167.86	€106.88	€5	€9	€738.24	€9,822

#### Total Employee Expenses by year

	2022	2023	2024	2025	2026
<b>Kitchen (BOH)</b>					
Chef	1	1	1	1	1
Sub Chef	1	1	1	1	1
Kitchen Assistant	1	2	2	3	3
Kitchen Assistant (Part-time)	1	0	0	0	0
<b>Service Area (FOH)</b>					
Manager	2	2	2	2	2
Staff	2	3	4	4	4
Staff (Part-time)	1	0	0	0	0
Total nr of employees	9	9	10	11	11
Total Expenses	€130,272	€141,611	€156,667	€171,724	€171,724

#### Detailed Operational Expenses (excluding Personnel Expenses)

Other Operational Expenses	Monthly	Annually
Rent	€3,500.00	€42,000.00
Amenities & utilities	€1,000.00	€12,000.00
Delivery packaging & merchandise	€350.00	€4,200.00
Advertising & promotion	€500.00	€6,000.00
Other services	€1,440.00	€17,280.00
Cleaning services	€450.00	€5,400.00
Accounting services	€250.00	€3,000.00
POS system	€40.00	€480.00
Security	€100.00	€1,200.00
Training & development	€500.00	€6,000.00
Maintenance	€100.00	€1,200.00
<b>Total</b>	<b>€8,230.00</b>	<b>€98,760.00</b>

### *Appendix 14: Profit & Loss Statement*

	2022	2023	2024	2025	2026
On-Premises	€237,834	€444,210	€457,536	€471,262	€485,400
Online Delivery & Takeaway	€18,762	€34,214	€37,636	€41,399	€45,539
<b>Total Sales</b>	€256,596	€478,424	€495,172	€512,662	€530,939
COGS	€89,809	€157,880	€153,503	€153,798	€153,972
<b>Gross Profit</b>	€166,787	€320,544	€341,669	€358,863	€376,967
Payroll Expenses	€130,272	€141,612	€156,668	€171,724	€171,724
Rent	€42,000	€42,420	€42,844	€43,273	€43,705
Amenities & Utilities	€12,000	€12,120	€12,241	€12,364	€12,487
Online Delivery Commissions	€3,940	€7,185	€7,903	€8,694	€9,563
Delivery Packaging	€3,000	€3,030	€3,060	€3,091	€3,122
Advertising & Promotion	€6,000	€6,060	€6,121	€6,182	€6,244
Other Services	€17,280	€17,453	€17,627	€17,804	€17,982
<b>Total Operating Expenses</b>	€214,492	€229,879	€246,465	€263,130	€264,827
<b>EBITDA</b>	-€47,705	€90,665	€95,204	€95,733	€112,140
Depreciation & Amortization	€10,480	€10,480	€10,480	€10,480	€10,480
<b>EBIT</b>	-€58,185	€80,185	€84,724	€85,253	€101,660
Interest Expenses	€1,650	€1,320	€990	€660	€330
<b>Profit Before Tax (EBT)</b>	-€59,835	€78,865	€83,734	€84,593	€101,330
Tax	-€12,565	€29,127	€17,584	€17,764	€21,279
<b>Net Profit</b>	<b>-€47,270</b>	<b>€49,738</b>	<b>€66,150</b>	<b>€66,828</b>	<b>€80,051</b>

## *Appendix 15: Discount Cash Flow assumptions*

### **Discount Cash Flow assumptions**

- A profitable restaurant business spends on average 28 to 35% of sales on food costs (Papandrea, 2019). Thus, for the first year, a 35% food cost is assumed. The tendency will be to gradually decrease across the years, being only 29% in 2026, due to more efficient management of waste (gained through experience) and higher bargaining power with suppliers.
- Delivery services represent 30% of food delivery sales since it is the average amount charged by the delivery partners (UberEats and Glovo).
- An inflation rate of 1% was assumed based on the International Monetary Fund (IMF, 2020).
- For the purposes of these computations, full depreciation is assumed for the tangible assets, furniture and kitchen equipment (52 400€), over the course of 5 years. In order to compute the yearly depreciation costs, the straight-line depreciation method was employed.
- A yearly equipment maintenance cost of 1,500€ from 2023 to 2025 is forecasted, for Capex. It is assumed that these investments are not subject to depreciation.
- The average collection period of clients is 0, as the payment is made straight after consumption. The average payment period to suppliers is assumed to be 0 days, for simplification purposes. The days to sell inventory is approximate to 0 days, for simplification purposes, given that the company intends to provide fresh ingredients, implying low stock levels. As a result, no substantial investments are required for the working capital.
- A tax rate of 21% (IRC) is considered based on the current Portuguese legislation.
- A discount rate of 5.5% was assumed by using the WACC method. For its calculations, a rate of 3% is assumed as the cost of debt (Pordata , 2020). Concerning the costs of equity, based on IESE Business School's estimations for Portugal, a market risk premium of 7.6% and a risk-free rate of 1.8% in 2020 is assumed (Fernandez, et al., 2020). As for the levered Beta, a value of 0.86 is assumed, considering the historical values of restaurant industry betas in Western Europe by Damodaran Institute.
- It is assumed that the initial investment is funded 65% (75 000€) by equity and 35% (55000€) by long term debt. For the debt service, an annual simple interest of 3% was assumed based on Pordata information (Pordata , 2020).

### Appendix 16: Discount Cash Flow model

Year	2021	2022	2023	2024	2025	2026
Sit-Down Meals		€237,834	€444,210	€457,536	€471,262	€485,400
Growth Rate + Inflation %		-	-	3%	3%	3%
Delivery + Takeaway		€18,762	€34,214	€37,636	€41,399	€45,539
Growth Rate + Inflation %		-	-	10.0%	10.0%	10.0%
<b>Total Revenues</b>		<b>€256,596</b>	<b>€478,424</b>	<b>€495,172</b>	<b>€512,662</b>	<b>€530,939</b>
Cost of Goods Sold		€89,809	€157,880	€153,503	€153,798	€153,972
% of Sales		35%	33%	31%	30%	29%
Delivery Service Cost		€3,940	€7,185	€7,903	€8,694	€9,563
% of Online Delivery Sales		30%	30%	30%	30%	30%
<b>Gross Profit</b>		<b>€162,847</b>	<b>€313,359</b>	<b>€333,765</b>	<b>€350,169</b>	<b>€367,404</b>
Gross profit Margin		63%	65%	67%	68%	69%
Payroll Expenses		€130,272	€141,612	€156,668	€171,724	€171,724
Rent		€42,000	€42,420	€42,844	€43,273	€43,705
Amenities & Utilities		€12,000	€12,120	€12,241	€12,364	€12,487
Delivery Packaging		€3,000	€3,030	€3,060	€3,091	€3,122
Advertising & Promotion		€6,000	€6,060	€6,121	€6,182	€6,244
Other Services		€17,280	€17,453	€17,627	€17,804	€17,982
<b>Total Operating Expenses</b>		<b>€210,552</b>	<b>€222,694</b>	<b>€238,561</b>	<b>€254,437</b>	<b>€255,264</b>
<b>EBITDA</b>		<b>-€47,705</b>	<b>€90,665</b>	<b>€95,204</b>	<b>€95,733</b>	<b>€112,140</b>
Depreciation		€10,480	€10,480	€10,480	€10,480	€10,480
<b>EBIT</b>		<b>-€58,185</b>	<b>€80,185</b>	<b>€84,724</b>	<b>€85,253</b>	<b>€101,660</b>
Taxes (21%)		-€12,219	€16,839	€17,792	€17,903	€21,349
<b>NOPLAT</b>		<b>-€45,966</b>	<b>€63,346</b>	<b>€66,932</b>	<b>€67,350</b>	<b>€80,311</b>
Depreciation		€10,480	€10,480	€10,480	€10,480	€10,480
CAPEX	-€130,000	€0	€1,500	€1,500	€1,500	€0
<b>FCF</b>	<b>-€130,000</b>	<b>-€35,486</b>	<b>€75,326</b>	<b>€78,912</b>	<b>€79,330</b>	<b>€90,791</b>
<b>Discounted FCF</b>	<b>-€130,000</b>	<b>-€33,649</b>	<b>€67,728</b>	<b>€67,278</b>	<b>€64,133</b>	<b>€69,598</b>

### Appendix 17: Project's viability indicators

Discount Rate	5.5%
NPV (2021-2026)	€105,088
Profitability Index	1.81
IRR	23%
Payback Period	4.14
Discounted Payback Period	4.45